

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 EUR-12 ISO-00 H-01 EB-08 L-03
COME-00 PRS-01 DHA-02 AID-05 CIAE-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 /107 W

-----261959Z 124484 /75

R 261302Z APR 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4315
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY BAGHDAD
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MOXADISCIO
AMEMBASSY MUSCAT
AMEMBASSY NOUAKCHOTT
AMEMBASSY RABAT
AMEMBASSY SANA
AMEMBASSY TEL AVIV
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS

C O N F I D E N T I A L CAIRO 6999

E.O. 11652: GDS
TAGS: ETRD, BEXP, PFOR
SUBJECT: ARAB BOYCOTT: EGYPT'S PLANS

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REF: CAIRO 6153

1. IN FOLLOW-UP TO MEETING WITH GOE AMBASSADOR TO ARAB LEAGUE
TAHSIN BASHIR, DESCRIBED REFTTEL, ECONCOUN PROVIDED UPDATE ON ANTI-
BOYCOTT LEGISLATION PENDING IN CONGRESS, PARTICULARLY RECENTLY-
PASSED HOUSE VERSION. BASHIR APPEARED VERY INTERESTED, PROMISED TO
STUDY THE SUMMARIES PROVIDED AND INDICATED HE WOULD APPRECIATE

BEING KEPT INFORMED.

2. DISCUSSION TURNED TO SUBJECT OF HOW EGYPT PLANNED TO DEAL WITH BOYCOTT QUESTION IN TERMS OF POTENTIAL INVESTMENT BY BLACKLISTED U.S. COMPANIES (FORD, COCA COLA, ETC.), AS SPECIFIC ILLUSTRATION OF GENERAL PROBLEM. BASHIR ACKNOWLEDGED THAT GOE HAS NOT YET WORKED OUT IN DETAIL ITS APPROACH TO THIS ISSUE, OTHER THAN JUST TO BUY TIME IN WHICH A RATIONAL, NON-EMOTIONAL ADJUSTMENT OF THE BOYCOTT CAN TAKE PLACE. IT WAS FOR THIS PURPOSE THAT COMMITTEE MENTIONED IN PREVIOUS MEETING HAD BEEN ESTABLISHED, IN ORDER TO PREPARE A CAREFUL STUDY OF THE ENTIRE ISSUE. EGYPT HAS ALREADY TAKEN ALL THE NECESSARY STEPS TO PERMIT COMPLIANCE WITH BOYCOTT LEGISLATION BY ANY U.S. FIRM DOING BUSINESS HERE, THROUGH REMOVAL OF REFERENCES IN GOE COMMERCIAL DOCUMENTATION, AND ONLY OUTSTANDING PROBLEM IS BLACKLISTED COMPANIES. (NOTE: THIS IS ESSENTIALLY CORRECT. EXCEPT FOR OCCASIONAL BUREAUCRATIC CARRYOVERS, WHICH ARE CORRECTED WHEN CALLED TO THEIR ATTENTION, EGYPTIANS HAVE ABANDONED USE OF NEGATIVE CERTIFICATION, ETC., AND HAVE RETAINED ONLY SHIPPING CLAUSES OF TYPE DEEMED ACCEPTABLE BY USG.) SOLUTION TO LATTER PROBLEM, HOWEVER, WILL BE DIFFICULT TO ACHIEVE IN SHORT RUN.

3. BASHIR SAID POSITION HE HAS RECOMMENDED TO FONMIN FAHMY, AND HE ADDED THAT FIRST OF MANY INTERRUPTIONS DURING MEETING WAS FOR PURPOSE OF SIGNING THE LETTER TO FAHMY ON THAT SUBJECT, IS THAT EGYPT SHOULD PUSH THE SO-CALLED "SYRIAN FORMULA." IF A BLACKLISTED COMPANY CAN SHOW THAT ITS INVESTMENTS IN AN ARAB NATION ARE GREATER THAN THAT WHICH IT HAS IN ISRAEL, THEN IT IS CLEARLY IN ARAB INTERESTS TO GET IT OFF THE LIST. THIS IS EVIDENT AND OBVIOUS, BASHIR NOTED, BUT THERE ARE OTHER FACTORS AT WORK, NOT THE LEAST

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OF WHICH IS RESISTANCE OF "RADICAL" STATES. HE ADDED IT SHOULD NOT BE A SURPRISE THAT THOSE CLASSIFIED AS RADICAL IN THIS SENSE ARE USUALLY ALSO RELATIVELY WELL OFF FINANCIALLY, AND ARE THEREFORE NOT AS CONCERNED OVER INVESTMENT INFLOWS AS IS, FOR EXAMPLE, EGYPT. WHAT IS REQUIRED IS AN EDUCATIONAL CAMPAIGN DESIGNED TO SHOW THAT ARABS BENEFIT AS A GROUP WHEN ONE OF THEIR MEMBERS DOES INDIVIDUALLY. WHILE BASIC THESIS IS UNDERSTOOD, THERE IS CONSIDERABLE RELUCTANCE TO ABANDON A WEAPON THAT IS BEGINNING TO APPEAR QUITE USEFUL, EG.G., BRITISH LEYLAND'S RECENT CUTTING OF ITS TIES TO ISRAEL.

4. SINCE THIS WILL REQUIRE TIME, BESHIR SAID COMMITTEE'S REPORT MAY BE FINISHED BY OCTOBER, GOE HAS DECIDED IN MEANTIME TO PUSH FOR REMOVAL OF FORD AND COCA COLA AT WORKING LEVEL IN MEETING OF BOYCOTT COMMISSION IN ALEXANDRIA NEXT MONTH. THIS WAS A CONSCIOUS DECISION, WHICH WOULD PERMIT POLITICAL INPUT TO BE MADE LATER IF REQUIRED (AND HE APPEARS TO EXPECT IT WILL BE) AND AT A HIGHER LEVEL, I.E., THE ARAB LEAGUE POLITICAL AND ECONOMIC COMMITTEES. WE HAVE SINCE RECEIVED CONFIRMATORY INFORMATION FROM FORD REP

OUROUSSOFF IN ALEXANDRIA, WHO SAYS THE DIRECTOR OF THE EGYPTIAN BOYCOTT OFFICE IS REPORTED TO HAVE SAID HE HAS PREPARED A "STRONG PAPER" IN SUPPORT OF REMOVING BOTH COMPANIES FROM BLACKLIST SINCE THEY HAVE AGREED (SIC) TO INVESTMENTS IN EGYPT.

5. COMMENT: AS WITH SO MANY OTHER OF ITS PROBLEMS, GOE IS IN SOMETHING OF A BOX ON BOYCOTT QUESTION. GETTING TOO FAR OUT IN FRONT CREATES AS MANY PROBLEMS AS IT SOLVES. PARADOX ALSO APPLIES TO RELATIONS WITH BLACKLISTED COMPANIES, WHICH WILL NOT MAKE INVESTMENTS UNLESS THEY ARE OFF THE LIST, AND PROBABLY CANNOT GET OFF UNTIL THEY MAKE THE INVESTMENT. COMPANIES THINK IT IS EGYPT'S TASK TO GET THEM OFF; EGYPT SAYS IT IS COMPANIES' TASK. BARRING SOME UNFORESEEN BREAKTHROUGH, IT DOES NOT APPEAR LIKELY THESE PROBLEMS WILL BE SOLVED IN NEAR FUTURE, BUT EGYPTIANS ARE EVIDENTLY WILLING TO TRY.

6. ON BASIS AMBASSADOR'S CONVERSATIONS WITH FONMIN FAHMY ON
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SUBJECT OF FORD AND COCA COLA, IN WHICH LATTER HAS EXPRESSED GENERALLY SAME VIEWS AS BASHIR, GOE APPEARS TO HAVE DECIDED TO MAKE HASTE SLOWLY ON BOYCOTT, RATHER THAN TRY TO GET IT ALL CHANGED AT ONCE. THEIR TESTING OF THE WATER HAS BEEN GOING ON FOR TWO YEARS OR SO, AND THEY EVIDENTLY FEEL THE TIME IS NOT YET.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, US CONGRESSIONAL HEARINGS, LEGISLATIVE BILLS, BOYCOTTS
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Copy: SINGLE
Sent Date: 26-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO06999
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770145-0678
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770420/aaaaaqsw.tel
Line Count: 145
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Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 CAIRO 6153
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2698143
Secure: OPEN
Status: NATIVE
Subject: ARAB BOYCOTT: EGYPT'S PLANS CONFIDENTIAL CONFIDENTIAL
TAGS: ETRD, BEXP, PFOR, XF, EG, AL, (BASHIR, TAHSIN)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/00a51c9f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009